

Message Text

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DRAFTED BY EA/ROC:WALUNDY:ARCK
APPROVED BY EA:EHEGINBOTHAM
EA/ROC - H.J. FELDMAN (DRAFT)
EB/ITP/GCP - M. BAAS (DRAFT)
USDOC/ITA/BED/OIM - R. KELLY (SUB
TREAS/OASIA/ODN - R. ANDERSON (PHON
STR - D. MCMINN (SUBS)
USDA/FAS - V. LANIER (INFO)

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TO AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 042426

E.O. 11652:GDS

TAGS:OTRA, BEXP, TW

SUBJECT:VISIT OF ROC QUOTE BUY AMERICAN UNQUOTE GROUP TO
WASHINGTON

1. SUMMARY: ROC QUOTE BUY AMERICAN UNQUOTE GROUP LED BY
BOARD OF FOREIGN TRADE DIRECTOR GENERAL H.K. SHAO SPENT
THREE WORKING DAYS, FEBRUARY 13-15, IN WASHINGTON. SHAO
EXPOUNDED EXPECTED ROC POSITIONS ON MOST ISSUES. HE UNDER-
LINED HIS GOVERNMENT'S SINCERE INTENTION TO REDUCE TRADE
IMBALANCE WITH U.S. HE CITED PURCHASES OF TINPLATE AND
POTASSIUM CHLORIDE AS EXAMPLES OF IMPORTS WHICH ARE BEING
SWITCHED FROM TRADITIONAL TO U.S. SOURCES AND CLAIMED ONE
MILLION METRIC TONS OF AGRICULTURAL PURCHASES ARE ADDI-
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TIONAL TO NORMAL REQUIREMENTS. ON SEVERAL OCCASIONS HE RE-
ITERATED ROC POSITION ON BILATERAL TEXTILE NEGOTIATIONS.
USG OFFICIALS EMPHASIZED TO SHAO SERIOUSNESS OF RISING
PROTECTIONIST SENTIMENT IN THIS COUNTRY AND POINTED OUT
DESIRABILITY OF DEVELOPED AND BETTER OFF DEVELOPING
COUNTRIES MAINTAINING CURRENT ACCOUNTS EITHER IN BALANCE
OR IN MODERATE DEFICIT TO COMPENSATE FOR OPEC SURPLUSES.

END SUMMARY

2. H.K. SHAO CALLED ON AGRICULTURE SECRETARY BERGLAND, STATE EB ASSISTANT SECRETARY KATZ AND EA DEPUTY ASSISTANT

HEGINBOTHAM, COMMERCE ASSISTANT SECRETARY FOR INDUSTRY AND TRADE WEIL, DEPUTY SPECIAL TRADE REPRESENTATIVE WOLFF AND TREASURY DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL TRADE AND INVESTMENT POLICY HUFBAUER. HIS EXPOSITION OF ROC POSITIONS CONTAINED NO SURPRISES. MEETINGS, HOWEVER, PROVIDED GOOD OPPORTUNITY FOR GIVE AND TAKE ON TRADE POLICY OF BOTH COUNTRIES.

3. AT EACH APPOINTMENT, SHAO DISTRIBUTED COPIES OF LIST OF PURCHASES MADE BY MISSION THROUGH FEBRUARY 10. (COPY BEING POUCHED TO E/C COUNSELOR KYLE). LIST INCLUDED 156 MILLION DOLS. FOR PURCHASE OF CORN, WHEAT, SOYBEANS, AND BARLEY AND 78 MILLION DOLS. FOR PURCHASE OF QUOTE INDUSTRIAL PRODUCTS UNQUOTE (WHICH INCLUDE 400,000 DOLS. WORTH OF WINE AND OTHER SPIRITS, 12.2 MILLION DOLS. FOR FLUE-CURED TOBACCO, AND 2.5 MILLION DOLS. FOR PHOSPHATE ROCK). SHAO SAID TOTAL AGREEMENTS FOR U.S. PURCHASES TO BE SIGNED PRIOR TO HIS RETURN TO TAIPEI ON MARCH 2 SHOULD REACH 260 MILLION DOLS.

3. IN RESPONSE TO QUERIES ABOUT SHARE OF PURCHASES WHICH
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COULD BE CONSIDERED ADDITIONAL TO NORMAL ROC IMPORTS FROM THIS COUNTRY, SHAO CLAIMED ONE MILLION METRIC TONS OF FOODGRAIN AND SOYBEAN PURCHASES OR ABOUT 80 PERCENT OF TOTAL ARE ADDITIONAL. WHEN PRESSED HE ADMITTED THAT ROC HAS STORAGE CAPACITY FOR ONLY ABOUT THREE MONTHS FOODGRAIN CONSUMPTION AND CLAIMED PURCHASES REPRESENT SWITCH TO U.S. SUPPLIERS FROM OTHER SOURCES.

4. SHAO CITED SEVERAL TIMES PURCHASES OF ELECTROLYTIC TINPLATE AND POTASSIUM CHLORIDE AS EXAMPLES OF IMPORTS WHICH ARE BEING SWITCHED FROM TRADITIONAL SOURCES TO U.S. SUPPLIERS. MISSION SIGNED CONTRACT FOR 4,000 TONS OF TIN-PLATE COSTING 3 MILLION DOLS. SHAO SAID TAIWAN NEEDS TO IMPORT ABOUT 70 MILLION DOLS. WORTH OF TINPLATE ANNUALLY AND WILL BUY FROM U.S. AS LONG AS AMERICAN PRICE IS NOT MORE THAN FIVE PERCENT ABOVE JAPANESE PRICE. SHAO STATED TAIWAN NEEDS TO IMPORT 120,000 METRIC TONS OF POTASSIUM CHLORIDE ANNUALLY. HE CLAIMED CANADIAN COMPANY HAD SUBMITTED LOWEST BID, BUT ITS CONTRACT HAD BEEN RESTRICTED TO ONLY 60,000 TONS. CONTRACT WAS SIGNED FOR PURCHASE OF 4.2 MILLION DOLS. WORTH OF POTASSIUM CHLORIDE FROM MITSUBISHI'S U.S. SUBSIDIARY, MITSUBISHI INTERNATIONAL

CORPORATION.

5. IN RESPONSE TO QUESTIONS ABOUT EFFECT OF RECENT RE-VALUATION OF YEN ON COMPETITIVENESS OF JAPANESE EXPORTS IN THE ROC, SHAO SAID PRICES OF JAPANESE GOODS IN TAIWAN HAD EITHER NOT RISEN AT ALL OR CLIMED NO MORE THAN 3-5

PERCENT. HE ALSO NOTED THAT OTHER COUNTRIES HAD COMPLAINED TO GROC ABOUT ITS IMPORT POLICY FAVORING U.S. SUPPLIERS. HE CITED WEST GERMAN COMPLAINT ABOUT PERMITTING AUTOMOBILE IMPORTS ONLY FROM U.S.

6. SHAO TOOK ADVANTAGE OF EACH APPOINTMENT TO REITERATE ROC POSITION ON BILATERAL TEXTILE NEGOTIATIONS AND TO ASK CONFIDENTIAL

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THAT TAIWANESE EXPORTS TO U.S. OF SENSITIVE CATEGORIES COVERING KNITTED SHIRTS AND SWEATERS RECEIVE TREATMENT NO MORE RESTRICTIVE THAN THAT ACCORDED KOREA AND HONG KONG. HE RECEIVED SYMPATHETIC HEARING BUT NO COMMITMENT OTHER THAN PROMISE TO LOOK INTO MATTER.

7. SHAO WAS VERY INTERESTED IN PROSPECTS FOR US/ROC TRADE NEGOTIATIONS TO BE HELD IN PARALLEL WITH GENEVA MTN TALKS. HE WAS TOLD EMBASSY SHORTLY WOULD BE ASKED TO MAKE PROPOSAL TO GROC THAT DATE BE SET TO COMMENCE THESE NEGOTIATIONS. HE SAID INTERESTED ROC GOVERNMENT AGENCIES WOULD NEED AT LEAST ONE MONTH TO FORMULATE THEIR NEGOTIATING POSITION. SHAO EXPRESSED APPRECIATION THAT COUNTERVAIL-DUTY CASES INVOLVING ROC USUALLY HAVE RESULTED IN FINDINGS NOT UNFAVORABLE TO TAIWAN SUPPLIERS.

8. USG OFFICIALS EMPHASIZED TO SHAO DEPTH AND EXTENT OF PROTECTIONIST TENDENCIES IN THIS COUNTRY WHICH ARE EXACERBATED BY RISING TRADE SURPLUSES INCURRED BY A NUMBER OF IMPORTANT TRADING COUNTRIES SUCH AS THE ROC. IT WAS POINTED OUT TO SHAO THAT, WHILE WE HOPE U.S. DEFICIT WITH TAIWAN CAN BE REDUCED, THE USG REGARDS AS MUCH MORE IMPORTANT DEVELOPED COUNTRIES AND THE BETTER OFF DEVELOPING NATIONS (SUCH AS THE ROC) MAINTAINING THEIR CURRENT ACCOUNTS ROUGHLY IN EQUILIBRIUM OR IN A MODERATE DEFICIT POSITION IN ORDER TO COMPENSATE FOR SURPLUSES OPEC COUNTRIES ARE EXPECTED TO CONTINUE TO RUN OVER THE NEXT FEW YEARS. THE UNFAVORABLE IMAGE OF EAST ASIAN COUNTRY MARKETS HELD BY AMERICAN EXPORTERS WAS NOTED TO SHAO. IN A LARGE NUMBER OF CASES, U.S. COMPANIES HAVE THE IMPRESSION THAT EAST ASIAN COUNTRIES ARE SO PROTECTIONIST AS TO BE ALMOST IMPENETRABLE BY AMERICAN EXPORTS. CURRENT LARGE TRADE SURPLUSES OF A NUMBER OF FAR EASTERN COUNTRIES CONFIDENTIAL

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ARE VIEWED AS A DISRUPTIVE ELEMENT IN WORLD TRADE.

9. APPRECIATION WAS EXPRESSED IN GENERAL TERMS TO SHAO FOR EFFORTS MADE THUS FAR BY ROC TO REDRESS IMBALANCE IN ITS TRADE WITH THE U.S. HE ALSO WAS TOLD THAT WE EXPECT TO DISCUSS NON-TARIFF MEASURES, SUCH AS ROC METHOD OF COMPUTING CUSTOMS VALUATION OF IMPORTS ON C.I.F. BASIS, DURING UPCOMING BILATERAL TRADE TALKS. IT ALSO WAS NOTED TO SHAO THAT MAXIMUM POLITICAL IMPACT FOR ROC

IMPORTS FROM THIS COUNTRY CAN BE OBTAINED BY CONCENTRATING PURCHASES ON ITEMS PRODUCED IN ECONOMICALLY DEPRESSED AREAS WHERE UNEMPLOYMENT RATES ARE HIGHEST.

10. COMMENT: ALTHOUGH SHAO SEEMED SOMEWHAT EMBARRASSED BY QUESTIONS ON ADDITIONALITY OF PURCHASES MADE BY MISSION AND REFERENCES TO OUR UNHAPPINESS OVER CERTAIN ROC PROTECTIONIST PRACTICES, HE DID HIS BEST TO DEFEND HIS MISSION'S CREDIBILITY AND TO CONVINCE HIS LISTENERS OF ROC DETERMINATION TO LOWER ITS BILATERAL TRADE SURPLUS WITH THE U.S. BY BUYING MORE FROM THIS COUNTRY. NEVERTHELESS, NO EFFORT WAS MADE TO ALTER GROUP'S ITINERARY TO MAKE CONTACT WITH MORE U.S. SUPPLIERS. GIVEN EMBASSY'S ASSESSMENT OF ROC AGRICULTURAL IMPORT NEEDS (TAIPEI 6834), WE ATTACH LITTLE SIGNIFICANCE TO HIS CLAIM THAT FOOD PURCHASES ARE MUCH ABOVE LEVEL OF IMPORTS WHICH WOULD HAVE OCCURRED WITH OR WITHOUT BUYING MISSION. SHORT OF DROUGHT OR OTHER NATURAL CALAMITY, SCOPE FOR INCREASING AGRICULTURAL COMMODITY IMPORTS NECESSARILY REMAINS LIMITED. WE CAN ONLY HOPE THAT ROC IS INDEED SERIOUS ABOUT INCREASING ITS PURCHASES IN THIS COUNTRY OF INDUSTRIAL GOODS AND THAT SHAO MISSION WILL FACILITATE SUBSEQUENT CONTACTS WITH AND PURCHASES FROM AMERICAN SUPPLIERS. EMBASSY SHOULD AVAIL ITSELF OF EVERY OPPORTUNITY TO POINT OUT THAT PROOF OF ROC'S INTENT WILL BE ESTABLISHED ONLY IN THE TRADE STATISTICS. VANCE

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